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STATE FOR WHA/BSC AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD
NAIROBI FOR MICHAEL FITZPATRICK

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, APRIL 1-7,
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REF: ASUNCION 0330 AND PRECEDING

11. (U) SUMMARY:
- USTDA Explores Paraguay Projects
 - Carlos Slim Sees Opportunity in Paraguay
 - Press Alleges Minister Walde Influenced
 - MEDRETE Concepcion Ends
 - Asuncion Opens Abuse Shelter
 - Supreme Court Avoids Ruling Against Duarte

USTDA Explores Paraguay Projects

12. (U) On 3/27 and 3/28, US trade and Development Agency (USTDA) Country Manager Anne McKinney visited Paraguay to explore opportunities for collaboration. USTDA has an existing project under review through the Inter-American Development Bank to fund technical assistance from the Texas Highway Institute to the Ministry of Public Works related to building durable highways in the Chaco Region of Paraguay. McKinney met with the Ministries of Finance; Industry and Commerce; Public Works and Communications as well as with Customs, the Central Bank (BCP), the Civil Aviation Authority (DINAC) and the American-Paraguayan Chamber of Commerce.

13. (U) The visit generated several leads for potential projects which include: funding a procurement expert to assist DINAC with an upcoming \$25 million procurement of radar and communications equipment; funding a consultant to assist the Ministry of Finance with initial steps toward opening the State-Owned Enterprises to private sector participation (via equity and/or management contracts) consistent with Paraguay's pending IMF program; and a feasibility study for the BCP on a public policy institute to train technically capable civil servants for the BCP and Ministry of Finance. The Ministry of Industry and Commerce

may submit proposals on energy sector regulation and biofuels production. Econcouns will follow-up with the heads of the state-owned electricity and telephone companies to seek additional opportunities.

Carlos Slim Sees Opportunity in Paraguay

¶4. (U) On 4/1 Mexican business magnate Carlos Slim, considered by Forbes magazine to be the third richest man in the world, arrived in Asuncion. Vice-President Castiglioni invited Slim during the VP,s recent visit to Mexico. During his visit to Paraguay, Slim met with President Duarte and local business leaders to discuss investment opportunities in Paraguay. Slim owns America Movil, one of the largest telecommunications companies in Latin America, and just recently acquired the Paraguayan cell-phone company Porthable via Movil,s affiliate AMX. Slim also expressed interest in investing in airports, energy, and the distribution of potable water in the region. This visit was marred by a press leak of a Customs report accusing Slim,s company AMX of tax evasion (Note: We are working with the Customs Investigative Unit in conducting an investigation of the leak). Other Mexican businessmen have also shown an interest in Paraguay. The Mexican Business Council of Foreign Investment and Technology (COMCE), Generation 2000 (a group of small businesses), and Electric Business (a group of important Mexican Industrialists), have all sent representatives to Paraguay in recent months to discuss investment in the country.

Press Alleges Minister Walde Influenced Bid

¶5. (U) On 4/3 and 4/4, local press reported two front page stories alleging that Presidential Economic Advisor Carlos Walde used his position to improperly influence a procurement decision in favor of his family's dairy produce company, Chacomer. The decision was on a contract to provide powdered milk to a targeted national feeding program for low income families administered by the Ministry of Health. After the article's release, Minister Walde held a press conference and denied the allegations, maintaining that since entering public service he had withdrawn from all family business deals. Furthermore, Walde called on the Controller's Office to open an investigation into the allegations to clear his name. Walde contacted USAID Mission Director to address the allegations directly and assert his innocence, asserting that he viewed these allegations as attempts to discredit President Duarte and his Administration. (COMMENT: Politics in Paraguay can be a dangerous game in which one risks damaging a solid reputation of earnestness and integrity. It is conceivable that enemies of Duarte or another company that was not awarded the contract conjured up this story to ruin Minister Walde,s reputation. It is worth noting that only one of Paraguay's three dailies has reported on this story. We continue to regard Walde, a Mennonite who made his fortune as a businessman and not as a career politician, as one of the President's most competent and credible advisors. Until concrete evidence implicating Walde in illicit activity comes to light, Post will continue to work with Walde in his capacity as the GOP's MCC Threshold Program Coordinator. END COMMENT.)

MEDRETE Concepcion Ends

¶6. (U) On 4/6, Governor Ramonita Mendoza participated in the closing ceremonies of the Medical Readiness Training Exercise (MEDRETE) held in the Department of Concepcion. The program is the last MEDRETE of the fiscal year and ran from 3/27 to 4/6. Doctors attended to approximately 12,000 patients, and 2,000 animals. The operation was generally well received by the local community, though the Campesino Organization of the

North (OCN), a group with suspected ties to the paramilitary group Patria Libre, called the presence of U.S. military personnel "shameful" and "rejected" the assistance.

¶17. (U) The MEDRETE program brings U.S. military medical personnel to poor areas of the country to provide free medical, dental, and veterinary treatment where it is not readily available. Including this exercise, there have been 24 MEDRETE exercises since the program's inception in 1988. The program has treated roughly 184,378 human patients and 53,599 animals. In addition, the program has donated over 10,000 pairs of glasses. Each MEDRETE operation costs roughly 40,000 USD: total they have cost approximately 920,000 USD.

Asuncion Opens Abuse Shelter

¶18. (U) Spousal abuse is common in Paraguay, especially in interior Departments. In 2005, thousands of women were treated for injuries sustained in violent domestic altercations. In January 2006, Asuncion registered more than 200 victims of domestic violence. Recognizing this difficult problem, the City of Asuncion announced the opening of a shelter to care for victims in the San Pedro neighborhood. The shelter will provide housing, medical, social and psychological support to 30 victims and their children. This shelter is the first such government run facility and will hopefully serve as a model for the country.

Supreme Court Avoids Ruling Against Duarte

¶19. (U) On 4/6, the Supreme Court issued its final resolution on President Duarte's (apparently unconstitutional) service as Colorado Party President while still serving as President of the Nation (reftels). A majority of the Court found that Duarte's withdrawal of his constitutional petition precluded the Court from ruling on whether the Constitution permitted Duarte to run for Party President, the issue Duarte's opponent, Osvaldo Dominguez Dibb, presented to the Supreme Electoral Justice Tribunal (TSJE) in advance of the internal Colorado party elections. The majority also found that, even if Duarte had not withdrawn his petition, the Court's review would have been limited to the issue of Duarte's ability to run for the Party Presidency, and would not have extended to the issue of whether the Constitution permitted him to assume the Party Presidency, even if only temporarily.

¶10. (SBU) Comment: Duarte used his allies on the Court to suspend the TSJE ruling, opening the door for him to temporarily assume the Party Presidency. The timing of his temporary assumption and subsequent withdrawal of his constitutional petition effectively denied Dominguez Dibb the opportunity to petition the Court on the issue of whether the Constitution permitted Duarte to assume the Party Presidency. This was a legal (if not constitutional or ethical) maneuver that will enable Duarte to maintain control of the party apparatus beyond the end of his term as President of Paraguayan 2008. End Comment.
CASON